

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-02 RSC-01 PRS-01 SP-02 SS-15

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E.O. 11652: N/A

TAGS: ENRG

SUBJ: BURMAH DISASTER

REF: EDINBURGH 163 DATED DECEMBER TWENTY-SEVENTH 1974

SELECTED PRESS AND OTHER LOCAL COMMENTS ON BURMAH DISASTER
FOLLOWS:

A. SCOTS ROCK OF GIBRALTAR. MIDDLE AND UPPER CLASS SCOTS HAVE BEEN ROCKED BY FALL OF BURMAH AS NO OTHER STOCK FALL COULD DO HERE. "L900 MILLION SHARES DIVE" (GLASGOW HERALD HEADLINE JANUARY 3) HIT 162,300 ORDINARY SHAREHOLDERS, "MOST OF WHOM HAD SMALLHOLDINGS AND WERE CONCENTRATED IN ALREADY DEPRESSED WEST OF SCOTLAND." INSURANCE COMPANIES "WHOSE SOLVENCY MARGINS ARE ALREADY UNDER SEVERE PRESSURE" HAD THEIR BURMAH HOLDINGS DROPPED FROM 92 MILLION POUNDS TO 19 MILLION POUNDS. OTHER MAJOR HOLDERS INCLUDE EDINBURGH-BASED SCOTTISH WIDOWS SOCIETY, AND MAJOR INVESTMENT TRUSTS, SUCH AS ROBERT FLEMING, IVORY AND SINE. MY NEIGHBOUR WHO INHERITED HIS SMALLHOLDINGS FROM HIS MOTHER COMPARED ITS TRADITIONAL IMPORTANCE IN SCOTLAND TO

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AT & T IN THE US.

B. GEESE THAT LAY GOLDEN EGGS. EDITORIALS VARIOUSLY HIT THE LABOUR GOVERNMENT FOR TREATING COMPANIES AS "FATTED CALVES RIPE FOR SOCIALIST SLAUGHTER"; ASKED HOW THE GOVERNMENT WILL RAISE CASH FOR NORTH SEA DEVELOPMENT SINCE "THE GOVERNMENT IS AS OVERBORROWED AS BURMAH" AND "IF IT SABOTAGES THE PROFITA POTENTIAL OF THE OPERATORS WHOM THEY HOPE TO JOIN"; ASKED IF THE ARABS WILL NOW OUT-FLANK THE WEST BY BUYING UP THE COMPETITION, PARTICULARLY SINCE THE LABOUR GOVERNMENT DOES NOT WANT EEC INVOLVEMENT; DEMAND THAT BRITAIN START SPEAKING PLAINLY ABOUT ECONOMIC CRISES AND TAKE THE DRACONIAN MEASURES REQUIRED. BURMAH MANAGEMENT COMES IN FOR CENSURE FOR "BAD TIMING," A EUPHONISM FOR THE RELENTLESS EXPANSION AND BORROWING IN THE FACE OF IMPENDING RECESSION-DEPRESSION.

C. WHIPPING-BOY. INDUSTRY CONTACTS LOOK WITH SOME FAINT HOPE BUT AT LEAST THE BALE-OUT NEGOTIATIONS HAVE BEEN WITH THE FORCES OF CONSERVATISM, THE OLD LADY OF THREADNEEDLE STREET, RATHER THAN "LENIN BENN," MINISTER OF INDUSTRY, WHO, THEY ALLEGE, SEEKS TO BREAK THE COMPANIES AND THE MARKET IN ORDER TO "NATIONALISE CHEAP" AND CHANGE THE SOCIAL ORDER. THEY HOPE THAT BOTH UK AND US GOVERNMENTS MIGHT START DEALING WITH INDUSTRY REALISTICALLY AND CONSTRUCTIVELY NOW. COMPREHENSIVE ATTACKS ON MULTI-NATIONAL OIL COMPANIES AND THEIR "PROFITS" BY GOVERNMENTS, BOTH EASTERN AND WESTERN, HAVE CONTRIBUTED SIGNIFICANTLY TO LOSSES OF PUBLIC CONFIDENCE IN ALL COMPANY INVESTMENTS; BURMAH'S FATE WAS SEALED BY DECLINE IN THE VALUE OF ITS HOLDINGS OF BP AND SHELL STOCK; ITS SURPRISE DISASTER UNDERLINED ESSENTIALITY OF CLOSEST COORDINATION BETWEEN OIL INDUSTRY AND GOVERNMENT LEADERS IN DIVISING SOUND POLICIES TO MEET POST-EMBARGO CRISES.

DM SCOT-FREE? INVESTMENT COMPANIES AND BANKS IN EDINBURGH SEEM LESS INTERESTED IN WHAT BRANCH OF GOVERNMENT IS INVOLVED WITH THE RESCUE OPERATION BUT STATE THAT THE GOVERNMENT THREATS TO TAKE OVER MAJORITY OWNERSHIP OF EXISTING DISCOVERIES HAS CONTRIBUTED TO DRYING UP OF CREDIT WHICH IS ESSENTIAL FOR EXHORBITANT NORTH SEA DEVELOPMENT. THEY HAD FEARED THE LIQUIDITY CRUNCH WOULD HIT THE SMALLER COMPANIES FIRST, RATHER THAN BURMAH. "IF IT CAN HAPPEN TO BURMAH, IT CAN HAPPEN TO UNCLASSIFIED

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ANYONE, E.G. B.P.". ONE TOP INVESTMENT GROUP OFFICIAL WAS HIGHLY CRITICAL OF MANAGEMENT AND DEPLORED TRADITIONAL NON-INVOLVEMENT OF SHAREHOLDERS IN SCOTLAND. HE EXTOLLED THE AGGRESSIVENESS OF THE US SHAREHOLDERS, I.E. "THE LITTLE OLD LADY IN TENNIS SHOES WHO HAS ONE SHARE AND ASKS THE EMBARRASSING QUESTION." "HERE SHAREHOLDERS ARE TOO POLITE"; EVEN THE ACCOUNTANTS WHO WILL INSPECT THE BOOKS ARE IN THE FAMILY" (SIC). ANOTHER INVESTMENT EXECUTIVE DEPLORED BURMAH'S PURCHASE OF SIGNAL,

HOPED "IT, ITS DEBTS TO US BANKS AND THE THISTLE FIELD
WOULD BE GIVEN TO THE UKG," AND THAT BURMAH WOULD CONCENTRATE
ON THE FAR GREATER NINIAN RESERVES. ONE FINANCIAL COMMENTATOR
SAID THE UKG SHOULD ZD THE UNCERTAINTY, NATIONALISE BURMAH,
AND LET THE REST OF INDUSTRY GO "SCOT-FREE."

E. SOCIAL REVOLUTION? ON THE LONGER-RUN REPERCUSSIONS,
ONE BANKER QUESTIONED THE SURVIVABILITY OF STERLING IN THE
NEW YEAR, AND INDICATED THAT THERE COULD HAVE BEEN GREATER
PRESSURE ON THE POUND IF GUARANTEES COVERING SIXTY TO EIGHTY
MILLION POUNDS HAD NOT NARROWLY ESCAPED FORECLOSURE BY A
FRACTION OF A BASIS POINT ON DECEMBER 31. ANOTHER BANKER
FORESAW SOCIAL REVOLUTION (WHICH HE HAD TAUGHT AT UNIVERSITY)
COMING ABOUT THROUGH DESTRUCTION OF SAVINGS AND INCOME OF
THE RESPONSIBLE MEMBERS OF SCOTTISH SOCIETY.
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